

**REPORT OF THE AUDIT OF THE  
MONROE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates PSC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates PSC evaluated the Monroe County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT**

**June 30, 2009**

Simon, Underwood & Associates PSC has completed the audit of the Monroe County Fiscal Court for fiscal year ended June 30, 2009.

We have issued an unqualified opinion, based upon our audit and the report of other auditors, on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky. We have also issued an unqualified opinion on Monroe County's compliance with requirements applicable to its major federal programs: Community Development Block Grant/State's Program (CFDA #14.228) and Appalachian Area Development Program (CFDA #23.002).

#### **Financial Condition:**

The fiscal court had total net assets of \$6,285,129 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,555,652 in its governmental activities as of June 30, 2009, with total net assets of \$6,263,798. In its business-type activities, cash and cash equivalents were \$5,528, with total net assets of \$21,331. The fiscal court's discretely presented component unit had net assets of \$9,054 as of June 30, 2009, with cash and cash equivalents of \$7,906. The fiscal court had total debt principal as of June 30, 2009 of \$4,500,000.

#### **Report Comments:**

- 2009-01 The Jailer Should Prepare An Annual Report For The Jail Canteen
- 2009-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000
- 2009-03 The Fiscal Court Should Have A Written Contract For Professional Services
- 2009-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I And Phase II Building Projects
- 2009-05 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2009-06 The Jail Canteen Lacks An Adequate Segregation Of Duties
- 2009-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties
- 2009-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For The Monroe County Wellness Center Phase I Project
- 2009-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project

#### **Deposits:**

The fiscal court and component unit's deposits were insured and collateralized by bank securities.



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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

APPENDIX B: MONROE COUNTY WELLNESS CENTER

APPENDIX C: MONROE COUNTY WELLNESS CENTER

APPENDIX D: MONROE COUNTY WELLNESS CENTER





*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Wilbur Graves, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, which represents 100 percent of the financial data of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Monroe County Recreation, Tourist, and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
 Honorable Steven L. Beshear, Governor  
 Jonathan Miller, Secretary  
 Finance and Administration Cabinet  
 Honorable Wilbur Graves, Monroe County Judge/Executive  
 Members of the Monroe County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2010, on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

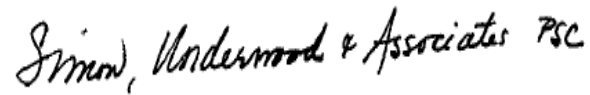
Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2009-01 The Jailer Should Prepare An Annual Report For The Jail Canteen
- 2009-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000
- 2009-03 The Fiscal Court Should Have A Written Contract For Professional Services
- 2009-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I And Phase II Building Projects
- 2009-05 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2009-06 The Jail Canteen Lacks An Adequate Segregation Of Duties
- 2009-07 The Fire And Rescue Squad Lacks Adequate Segregation Of Duties

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Honorable Steven L. Beshear, Governor  
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- 2009-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria  
For The Monroe County Wellness Center Phase I Project  
2009-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II  
Building Project

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

March 18, 2010

**MONROE COUNTY OFFICIALS****For The Year Ended June 30, 2009****Fiscal Court Members:**

Wilbur Graves	County Judge/Executive
Alonzo Ford	Magistrate
Terry Ford	Magistrate
Sam Maxie Harlan	Magistrate
Tim Gordon	Magistrate
Jeff Proffitt	Magistrate

**Other Elected Officials:**

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis L. Carter	Property Valuation Administrator
Jackie Walden	Coroner

**Appointed Personnel:**

Sheryl Conkin	County Treasurer
Kim Staples	Occupational Tax Collector

**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<u>Primary Government</u>			<b>Component Unit - Monroe County Recreation, Tourist, and Convention Commission</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,471,721	\$ 5,528	\$ 4,477,249	\$ 7,906
Accounts Receivable				2,481
Total Current Assets	<u>4,471,721</u>	<u>5,528</u>	<u>4,477,249</u>	<u>10,387</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land	139,200		139,200	
Construction In Progress	1,583,931		1,583,931	
Buildings	1,283,844		1,283,844	
Other Equipment	325,387		325,387	
Vehicles	140,023	15,803	155,826	
Infrastructure	2,819,692		2,819,692	
Total Noncurrent Assets	<u>6,292,077</u>	<u>15,803</u>	<u>6,307,880</u>	
Total Assets	<u>10,763,798</u>	<u>21,331</u>	<u>10,785,129</u>	<u>10,387</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable				1,333
Bond Anticipation Note	4,500,000			
Total Current Liabilities	<u>4,500,000</u>			<u>1,333</u>
Total Liabilities	<u>4,500,000</u>			<u>1,333</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	4,708,146	15,803	4,723,949	
Unrestricted	1,555,652	5,528	1,561,180	9,054
Total Net Assets	<u>\$ 6,263,798</u>	<u>\$ 21,331</u>	<u>\$ 6,285,129</u>	<u>\$ 9,054</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		<b>Program Revenues Received</b>		
<b>Functions/Programs</b>				
<b>Reporting Entity</b>	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
		<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>
			<b>Contributions</b>	<b>Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,125,721	\$ 19,823	\$ 140,471	\$ 123,150
Protection to Persons and Property	552,933	97,478	173,346	
General Health and Sanitation	123,856			1,438,103
Social Services	10,596			
Recreation and Culture	11,474			
Roads	1,005,776		1,050,104	
Airports	8,365			
Interest on Long Term Debt	90,962			
Capital Projects	655,652			
Total Governmental Activities	<u>3,585,335</u>	<u>117,301</u>	<u>1,363,921</u>	<u>1,561,253</u>
Business-type Activities:				
Jail Canteen	20,066	21,571		
Total Business-type Activities	<u>20,066</u>	<u>21,571</u>		
Total Primary Government	<u>\$ 3,605,401</u>	<u>\$ 138,872</u>	<u>\$ 1,363,921</u>	<u>\$ 1,561,253</u>
<b>Component Units:</b>				
Monroe County Recreation, Tourist, and Convention Commission	<u>\$ 19,036</u>			

**General Revenues:**

Taxes:  
    Real Property Taxes  
    Personal Property Taxes  
    Motor Vehicle Taxes  
    Other Taxes  
Excess Fees  
Miscellaneous Revenues  
Interest Income  
Total General Revenues  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (842,277)	\$	\$ (842,277)	\$
(282,109)		(282,109)	
1,314,247		1,314,247	
(10,596)		(10,596)	
(11,474)		(11,474)	
44,328		44,328	
(8,365)		(8,365)	
(90,962)		(90,962)	
(655,652)		(655,652)	
(542,860)		(542,860)	
	1,505	1,505	
	1,505	1,505	
(542,860)	1,505	(541,355)	
			(19,036)
217,138		217,138	
27,210		27,210	
49,189		49,189	
652,968		652,968	11,089
17,296		17,296	
79,649		79,649	8,119
58,744		58,744	27
1,102,194		1,102,194	19,235
559,334	1,505	560,839	199
5,704,464	19,826	5,724,290	8,855
\$ 6,263,798	\$ 21,331	\$ 6,285,129	\$ 9,054

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**



**MONROE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 164,600	\$ 487,058	\$ 32,563	\$ 3,743,681	\$ 43,819	\$ 4,471,721
Total Assets	<u>164,600</u>	<u>487,058</u>	<u>32,563</u>	<u>3,743,681</u>	<u>43,819</u>	<u>4,471,721</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	57,130	150,980	9,800			217,910
Unreserved:						
General Fund	107,470					107,470
Special Revenue Funds		336,078	22,763		43,819	402,660
Capital Projects Fund				3,743,681		3,743,681
Total Fund Balances	<u>\$ 164,600</u>	<u>\$ 487,058</u>	<u>\$ 32,563</u>	<u>\$ 3,743,681</u>	<u>\$ 43,819</u>	<u>\$ 4,471,721</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 4,471,721
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	9,640,231
Accumulated Depreciation	(3,348,154)
Debt Not Due and Payable in the Current Period and, Therefore, Is Not	
Reported in the Funds.	
Bond Anticipation Note	<u>(4,500,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,263,798</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>CBDG and ARC Grant Fund</b>	<b>Public Properties Corporation</b>
<b>REVENUES</b>					
Taxes	\$ 896,296	\$	\$	\$	\$
In Lieu Tax Payments	50,209				
Excess Fees	17,296				
Licenses and Permits	19,823				
Intergovernmental	344,752	1,050,106	129,851	1,438,103	
Charges for Services	5,100		23,582		
Miscellaneous	35,148	29,352	6,703		
Interest	5,387	14,642	745		37,843
Total Revenues	<u>1,374,011</u>	<u>1,094,100</u>	<u>160,881</u>	<u>1,438,103</u>	<u>37,843</u>
<b>EXPENDITURES</b>					
General Government	598,948				
Protection to Persons and Property	107,409		391,531		
General Health and Sanitation	123,856				
Social Services	4,454				
Recreation and Culture	11,474				
Roads		907,187			
Airports	8,365				
Capital Projects	12,850			1,438,103	642,802
Administration	376,692	25,856	53,936		101,920
Total Expenditures	<u>1,244,048</u>	<u>933,043</u>	<u>445,467</u>	<u>1,438,103</u>	<u>744,722</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>129,963</u>	<u>161,057</u>	<u>(284,586)</u>		<u>(706,879)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	78,386		300,000		
Transfers To Other Funds	(308,178)	(78,386)			
Total Other Financing Sources (Uses)	<u>(229,792)</u>	<u>(78,386)</u>	<u>300,000</u>		
Net Change in Fund Balances	(99,829)	82,671	15,414		(706,879)
Fund Balances - Beginning	<u>264,429</u>	<u>404,387</u>	<u>17,149</u>		<u>4,450,560</u>
Fund Balances - Ending	<u>\$ 164,600</u>	<u>\$ 487,058</u>	<u>\$ 32,563</u>	<u>\$ 0</u>	<u>\$ 3,743,681</u>

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 896,296
	50,209
	17,296
	19,823
31,243	2,994,055
4,000	32,682
3,850	75,053
638	59,255
<u>39,731</u>	<u>4,144,669</u>
11,449	610,397
31,262	530,202
	123,856
	4,454
	11,474
	907,187
	8,365
	2,093,755
	558,404
<u>42,711</u>	<u>4,848,094</u>
<u>(2,980)</u>	<u>(703,425)</u>
8,178	386,564
	<u>(386,564)</u>
<u>8,178</u>	
5,198	(703,425)
<u>38,621</u>	<u>5,175,146</u>
<u>\$ 43,819</u>	<u>\$ 4,471,721</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**MONROE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ (703,425)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Costs of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,732,554
Depreciation Expense	(448,795)
Book Value of Disposed Assets	<u>(21,000)</u>

Change in Net Assets of Governmental Activities	<u>\$ 559,334</u>
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**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**MONROE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,528
Total Current Assets	<u>5,528</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	21,367
Less Accumulated Depreciation	<u>(5,564)</u>
Total Noncurrent Assets	<u>15,803</u>
Total Assets	<u>21,331</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	15,803
Unrestricted	<u>5,528</u>
Total Net Assets	<u>\$ 21,331</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**MONROE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 21,571
Total Operating Revenues	<u>21,571</u>
<b>Operating Expenses</b>	
Costs of Sales	1,121
Phone Cards	7,630
Sales Tax	1,840
Education and Recreation	243
Administrative	680
Miscellaneous	55
Depreciation Expense	1,391
Total Operating Expenses	<u>12,960</u>
Operating Income	<u>8,611</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Pay From State	(2,663)
Inmate Refunds	<u>(4,443)</u>
Total Nonoperating Revenues (Expenses)	<u>(7,106)</u>
Change In Net Assets	1,505
Total Net Assets - Beginning	<u>19,826</u>
Total Net Assets - Ending	<u><u>\$ 21,331</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**MONROE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Received From Customers	\$ 21,571
Cash Payments To Suppliers For Goods And Services	<u>(11,569)</u>
Net Cash Provided By Operating Activities	<u>10,002</u>
<b>Cash Flows From Non Capital Financing Activities</b>	
Inmate Pay From State	(2,663)
Inmate Refunds	<u>(4,443)</u>
Net Cash (Used) in Non Capital Financing Activities	<u>(7,106)</u>
Net Increase in Cash and Cash Equivalents	2,896
Cash and Cash Equivalents - July 1, 2008	<u>2,632</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 5,528</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ 8,611
Plus: Depreciation Expense	<u>1,391</u>
Net Cash Provided By Operating Activities	<u><u>\$ 10,002</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**STATEMENT OF NET ASSETS- FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**MONROE COUNTY**  
**STATEMENT OF NET ASSETS – FIDUCIARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$        131</u>
Total Assets	<u>131</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>131</u>
Total Liabilities	<u>131</u>
<b>Net Assets</b>	<u><u>\$          0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. The financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

**Monroe County Public Properties Corporation**

The Monroe County Fiscal Court appoints the Public Properties Corporation's (PPC) governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the PPC. Financial information for the PPC is blended within Monroe County's financial statements. All activities of the PPC are accounted for within a governmental fund.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2009, the Fire and Rescue Squad received \$8,178 from Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Financial information for the Fire and Rescue Squad is blended with Monroe County's financial statements and has been presented as a non-major governmental fund.

Discretely Presented Component Unit

The component unit's column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Monroe County Recreation, Tourist, and Convention Commission

On January 16, 2002, Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist, and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements.

Audited financial statements for the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, may be requested by contacting the Monroe County Recreation, Tourist, and Convention Commission, 202 North Magnolia Street, Tompkinsville, KY 42167.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Monroe County Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Monroe County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the governmental funds using the current financial resources measurement focus and modified cash basis of accounting. Revenue is recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

CDBG and ARC Grant Fund – The primary purpose of this fund is to account for the wellness center construction project. The primary sources of revenues for this fund are the Community Development Block Grant and the Appalachian Area Development federal funds. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for funds received from a bond issuance. The funds will be used for completing the Monroe County Justice Center.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, and Monroe County Fire and Rescue Squad Fund.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Monroe County Fire and Rescue Squad Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The CDBG and ARC Grant Fund and the Public Properties Corporation Fund are presented as capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds are used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, agency funds report assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - Accounts for funds received from inmates and held until inmates use these funds or are released from custody.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Monroe County Public Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require the fiscal court to report or budget this fund.

**J. Related Organization**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 139,200	\$	\$	\$ 139,200
Construction In Progress	145,828	1,438,103		1,583,931
Total Capital Assets Not Being Depreciated	285,028	1,438,103		1,723,131
Capital Assets, Being Depreciated:				
Buildings	2,561,486			2,561,486
Other Equipment	717,081	179,042	(62,000)	834,123
Vehicles	414,415			414,415
Infrastructure	3,991,667	115,409		4,107,076
Total Capital Assets Being Depreciated	7,684,649	294,451	(62,000)	7,917,100
Less Accumulated Depreciation For:				
Buildings	(1,229,098)	(48,544)		(1,277,642)
Other Equipment	(496,381)	(53,355)	41,000	(508,736)
Vehicles	(253,142)	(21,250)		(274,392)
Infrastructure	(961,738)	(325,646)		(1,287,384)
Total Accumulated Depreciation	(2,940,359)	(448,795)	41,000	(3,348,154)
Total Capital Assets, Being Depreciated, Net	4,744,290	(154,344)	(21,000)	4,568,946
Government Activities Capital Assets, Net	\$ 5,029,318	\$ 1,283,759	\$ (21,000)	\$ 6,292,077
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 21,367	\$	\$	\$ 21,367
Total Capital Assets Being Depreciated	21,367			21,367
Less Accumulated Depreciation For:				
Vehicles	(4,173)	(1,391)		(5,564)
Total Accumulated Depreciation	(4,173)	(1,391)		(5,564)
Total Capital Assets, Being Depreciated, Net	17,194	(1,391)		15,803
Business-Type Activities Capital Assets, Net	\$ 17,194	\$ (1,391)	\$	\$ 15,803

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 47,882
Protection to Persons and Property	30,780
Social Services	6,142
Roads, Including Depreciation of General Infrastructure Assets	<u>363,991</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 448,795</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,391</u>
Total Depreciation Expense - Business Activities	<u>\$ 1,391</u>

**Note 4. Debt**

A. Bond Anticipation Note

The Monroe County Public Properties Corporation, an agency and instrumentality of the fiscal court, issued obligations of \$4,500,000 dated March 20, 2008. The principal is to be paid on the maturity date of March 1, 2010 and interest is payable semi-annually on March 1 and September 1 of each year at varying rates. The bond anticipation was issued for the purpose of constructing a Judicial Center. As of June 30, 2009, the outstanding balance was \$4,500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	<u>\$ 4,500,000</u>	<u>\$ 94,919</u>
Totals	<u>\$ 4,500,000</u>	<u>\$ 94,919</u>

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Debt (Continued)**

**B. Changes In Liabilities**

Debt activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bond Anticipation Note	\$ 4,500,000	\$	\$	\$ 4,500,000	\$ 4,500,000
Governmental Activities Long-term Liabilities	\$ 4,500,000	\$ 0	\$ 0	\$ 4,500,000	\$ 4,500,000

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefit to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

The county's contribution for FY 2007 was \$83,308, FY 2008 was \$109,625, and FY 2009 was \$90,159.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 6. Insurance**

For the fiscal year ended June 30, 2009, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 832,600	\$ 832,600	\$ 896,296	\$ 63,696
In Lieu Tax Payments	55,000	55,000	50,209	(4,791)
Excess Fees	40,000	40,000	17,296	(22,704)
Licenses and Permits	18,650	18,650	19,823	1,173
Intergovernmental	184,490	3,264,044	344,752	(2,919,292)
Charges for Services	6,800	6,800	5,100	(1,700)
Miscellaneous	8,000	18,840	35,148	16,308
Interest	6,000	6,000	5,387	(613)
Total Revenues	<u>1,151,540</u>	<u>4,241,934</u>	<u>1,374,011</u>	<u>(2,867,923)</u>
<b>EXPENDITURES</b>				
General Government	610,469	626,443	598,948	27,495
Protection to Persons and Property	115,470	135,203	107,409	27,794
General Health and Sanitation	12,200	213,934	123,856	90,078
Social Services	5,200	5,710	4,454	1,256
Recreation and Culture	13,300	12,800	11,474	1,326
Airports	3,000	3,000	8,365	(5,365)
Capital Projects		2,854,171	12,850	2,841,321
Administration	395,857	389,115	376,692	12,423
Total Expenditures	<u>1,155,496</u>	<u>4,240,376</u>	<u>1,244,048</u>	<u>2,996,328</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,956)</u>	<u>1,558</u>	<u>129,963</u>	<u>128,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	78,386	78,386	78,386	
Transfers To Other Funds	<u>(374,430)</u>	<u>(374,430)</u>	<u>(308,178)</u>	<u>66,252</u>
Total Other Financing Sources (Uses)	<u>(296,044)</u>	<u>(296,044)</u>	<u>(229,792)</u>	<u>66,252</u>
Net Changes in Fund Balance	(300,000)	(294,486)	(99,829)	194,657
Fund Balance - Beginning	<u>300,000</u>	<u>300,000</u>	<u>264,429</u>	<u>(35,571)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 5,514</u>	<u>\$ 164,600</u>	<u>\$ 159,086</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,056,385	\$ 1,056,385	\$ 1,050,106	\$ (6,279)
Miscellaneous	23,673	23,673	29,352	5,679
Interest	6,000	6,000	14,642	8,642
Total Revenues	<u>1,086,058</u>	<u>1,086,058</u>	<u>1,094,100</u>	<u>8,042</u>
<b>EXPENDITURES</b>				
Roads	947,572	1,351,959	907,187	444,772
Administration	60,100	60,100	25,856	34,244
Total Expenditures	<u>1,007,672</u>	<u>1,412,059</u>	<u>933,043</u>	<u>479,016</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>78,386</u>	<u>(326,001)</u>	<u>161,057</u>	<u>487,058</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(78,386)</u>	<u>(78,386)</u>	<u>(78,386)</u>	
Total Other Financing Sources (Uses)	<u>(78,386)</u>	<u>(78,386)</u>	<u>(78,386)</u>	
Net Changes in Fund Balance		(404,387)	82,671	487,058
Fund Balance - Beginning		<u>404,387</u>	<u>404,387</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 487,058</u>	<u>\$ 487,058</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 110,716	\$ 110,716	\$ 129,851	\$ 19,135
Charges for Services	14,500	14,500	23,582	9,082
Miscellaneous	3,500	3,500	6,703	3,203
Interest	1,000	1,000	745	(255)
Total Revenues	129,716	129,716	160,881	31,165
<b>EXPENDITURES</b>				
Protection to Persons and Property	440,996	441,201	391,531	49,670
Administration	63,150	62,945	53,936	9,009
Total Expenditures	504,146	504,146	445,467	58,679
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(374,430)	(374,430)	(284,586)	89,844
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	374,430	374,430	300,000	(74,430)
Total Other Financing Sources (Uses)	374,430	374,430	300,000	(74,430)
Net Changes in Fund Balance			15,414	15,414
Fund Balance - Beginning			17,149	17,149
Fund Balance - Ending	\$ 0	\$ 0	\$ 32,563	\$ 32,563

**MONROE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MONROE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2009**



**MONROE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Local Government Economic Assistance Fund</b>	<b>Monroe County Fire And Rescue Squad Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 32,189	\$ 11,630	\$ 43,819
Total Assets	<u>32,189</u>	<u>11,630</u>	<u>43,819</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	<u>32,189</u>	<u>11,630</u>	<u>43,819</u>
Total Fund Balances	<u>\$ 32,189</u>	<u>\$ 11,630</u>	<u>\$ 43,819</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**



**MONROE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Local Government Economic Assistance Fund</b>	<b>Monroe County Fire And Rescue Squad Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$ 20,581	\$ 10,662	\$ 31,243
Charges for Services		4,000	4,000
Miscellaneous		3,850	3,850
Interest	638		638
Total Revenues	<u>21,219</u>	<u>18,512</u>	<u>39,731</u>
<b>EXPENDITURES</b>			
General Government	11,449		11,449
Protection to Persons and Property		31,262	31,262
Total Expenditures	<u>11,449</u>	<u>31,262</u>	<u>42,711</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>9,770</u>	<u>(12,750)</u>	<u>(2,980)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers From Other Funds		8,178	8,178
Total Other Financing Sources		<u>8,178</u>	<u>8,178</u>
Net Change in Fund Balances	9,770	(4,572)	5,198
Fund Balances - Beginning	<u>22,419</u>	<u>16,202</u>	<u>38,621</u>
Fund Balances - Ending	<u><u>\$ 32,189</u></u>	<u><u>\$ 11,630</u></u>	<u><u>\$ 43,819</u></u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**MONROE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2009**

Federal Grantor Program Title <u>Grant Name</u>	<u>Federal CFDA #</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>U.S Department of Housing and Urban Development</b>			
<i>Passed through Kentucky Department of Local Government</i>			
Community Development Block Grant/State's Program joint with the City of Tompkinsville Wellness Center Facility	14.228	06-035	\$ 938,103
<b>Appalachian Regional Commission</b>			
Appalachian Area Development Wellness Center Facility	23.002		500,000
<b>U.S Department of Homeland Security</b>			
<i>Passed through KY Office of Homeland Security and KY Department of Military Affairs</i>			
Disaster Grants - Public Assistance	97.036		4,500
<b>U.S Department of Commerce</b>			
<i>National Oceanic and Atmospheric Administration</i>			
Congressionally Identified Awards and Projects PRIDE Program	11.469		1,248
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 1,443,851</u></b>

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2009**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Monroe County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Wilbur Graves, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2010. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission. Other auditor's whose report has been furnished to us audited those financial statements. Monroe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-04, 2009-05, 2009-06, 2009-07, and 2009-08 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Monroe County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2009-01, 2009-02, and 2009-03.

The Monroe County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Monroe County Fiscal Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

March 18, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Wilbur Graves, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

Report on Compliance With Requirements  
Applicable To Each Major Program And On Internal  
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Monroe County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Monroe County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County's management. Our responsibility is to express an opinion on Monroe County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Monroe County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Monroe County's compliance with those requirements.

In our opinion, Monroe County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, items 2009-08 and 2009-09.

Internal Control Over Compliance

The management of Monroe County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monroe County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monroe County's internal control over compliance.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-08 and 2009-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider items 2009-08 and 2009-09 to be material weaknesses, as defined above.

The Monroe County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

March 18, 2010

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2009**



**MONROE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2009**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky.
2. Five significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report. All are considered material weaknesses.
3. Three instances of noncompliance material to the financial statements of Monroe County were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report. Both are considered material weaknesses.
5. The auditor's report on compliance for the audit of the major federal awards programs for Monroe County expresses an unqualified opinion.
6. There are two audit findings relative to the major federal awards programs for Monroe County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant (CFDA #14.228) and Appalachian Area Development Grant (CFDA #23.002).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Monroe County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAW AND REGULATION:**

**2009-01 The Jailer Should Prepare An Annual Report For The Jail Canteen**

Auditor observed that the jailer did not present a financial statement to the treasurer for fiscal year ended June 30, 2009. KRS 441.135 (2) states, "The Jailer...shall annually report to the county treasurer on the canteen account." We recommend that the jailer present a detailed yearly financial statement to the fiscal court. This should include the beginning cash balance, summary of receipts and disbursements, and the reconciled year-end balance.

*County Jailer Doyle Fox's Response: We have already taken measures to be able to provide the Fiscal Court with annual report.*

**2009-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000**

The Monroe County Wellness Center Phase I building project was originally bid August 21, 2008. Bids were received and subsequently rejected on September 17, 2008. The County informed the project engineer they could not afford the building design and would need to suspend work. The County then initiated the process again using "design-build" in September 2009. (See Comment 2009-04)

The County's procurement policy does not authorize this project delivery method for a procurement of design and construction services, and the County has not adopted the State's Model Procurement Code for local public agencies, KRS 45A.345 to 45A.460.

Our review of project files noted the following:

- Available funds for this project were \$2,927,051, but a budget was arbitrarily set for the project by the County Judge/Executive of \$2,500,000.

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

STATE LAW AND REGULATION: (Continued)

2009-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000

- In September 2009, the Fiscal Court advertised for sealed bid proposals for design-build services for the Monroe County Wellness Center Phase I construction project. The sealed bids were to be accompanied by a design-build proposal.
- Design-build proposals were to include scope of work, engineering designs, and design-build experience.
- The bids were publicly opened on October 8, 2009, and all bids came in over budget, but not over the amount of funds available for the project, and were publicly rejected by Fiscal Court on October 15, 2009.
- The Fiscal Court decided not to solicit new competitive bids on the project, but to use only design-build proposals, to set the construction costs not to exceed \$2.5 million without basing the request for proposals on revised specifications and quantities for the project as required by the County's procurement policy and KRS 45A.375, and to require each vendor to give a thirty minute presentation. The design-build proposals were due on October 29, 2009 and presentations were to be held on November 3, 2009.
- Design-build proposals were collected on October 29, 2009 for review.
- Design-build presentations were conducted on November 3, 2009.
- The contract for the design-build delivery method for this procurement was awarded to J&S Construction on November 3, 2009.
- Contract between J&S Construction and the Fiscal Court was signed November 4, 2009.
- On November 18, 2009, a contract cost change order of an additional \$415,116 was submitted by J&S Construction for energy efficient items to the Phase I building and the Phase II building that had already been built. This change order was approved by the County Judge/Executive on November 23, 2009.

Auditors noted the following:

- As noted in another comment, auditors have determined that the scope of work in the design-build proposal specifications were not complete. Additional energy efficiency items were later added to J&S Construction's contract in a change order for \$415,116. The other vendors submitting design-build proposals were not aware of these additional items.
- According to the County's procurement policy, competitive sealed bids will be used for all construction projects over \$20,000 if the project has detailed specifications for the goods and services to be performed and the primary basis is cost. If all bids exceed available funds the fiscal court may enter into competitive negotiations in accordance with KRS 45A.375. Auditors noted that the available funds were not exceeded; however, the scope of work was not complete and detailed specifications were lacking.
- According to the County's procurement policy, the competitive negotiation method can only be used if specifications cannot be made specific enough to permit the award of a bid on the basis of either the lowest bid price or the lowest evaluated bid price and the services to be procured are professional or personal.
- The competitive negotiation method requires a request for proposals (RFP) to be advertised and to include identification of factors to be considered in the evaluation of the proposals and the relative weights assigned to each selection factor. Weights could be identified as percentages

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

STATE LAW AND REGULATION: (Continued)

2009-02 The Fiscal Court Should Follow The County's Procurement Policy Procedures For All Construction Projects Over \$20,000 (Continued)

or points. Cost is also considered as a factor. This process would include a selection committee that would evaluate the cost and the other factors separately. A written evaluation of each proposal response would be prepared. The vendor with the highest combination score would be awarded the contract.

- Auditors noted that the request for proposals did not include any weights for the factors. The Fiscal Court may not set the budget for the construction project at a fixed price and require all vendors to design a building for that price. Rather, the request for proposals should have been based on detailed revised specifications, so that all proposals submitted would be based on the same specifications. If written evaluations were prepared by the selection committee, they were not included in the project files and were never submitted to auditors for review.

We recommend the Fiscal Court use competitive sealed bids for all construction projects over \$20,000. If that method is not feasible, it should use other methods authorized in the county's procurement policy and apply them properly. The design-build method of delivery for procurement is not available under the county's current procurement policy.

*County Judge/ Executive Wilbur Graves's Response: The Fiscal Court will consider an ordinance at the next meeting to adopt the State's Model Procurement Code for any local public agencies, KRS 45A.345 to 45A.460 to include design-build proposals and shall strictly abide by the code for all future projects.*

2009-03 The Fiscal Court Should Have A Written Contract For Professional Services

During our review of the Monroe County Wellness Center Phase I building project, we noted the county hired an engineering firm without a written contract. This engineering firm was to prepare and distribute design-build criteria, to assist in the evaluation of the design-build proposals, be involved in the selection of the geotechnical firm, and to be utilized by the successful design-builder for civil engineering services. The county's procurement policies require that all procurement in excess of \$500 be memorialized and supported by a written contract.

We recommend that the Fiscal Court obtain a written contract for all professional services. That contract should include the rights and responsibilities of both parties, and arrangements for payment.

*County Judge/ Executive Wilbur Graves's Response: The direct cost to the County was less than \$500; however, the county will require written contracts on all future procurements where the cost or benefit to the County exceeds \$500.*

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**

**2009-04 The Fiscal Court Failed To Approve Numerous Items Relating To The Monroe County Wellness Center Phase I and Phase II Building Projects**

During our review of the Monroe County Wellness Center Phase I and Phase II building project files, we noted the following items were not brought before and approved by the Fiscal Court:

Phase II building project (built first):

- January 2, 2008 advertisement for bid – bids to be opened January 24, 2008.
- Results of bid opening of January 24, 2008.
- The decision to reject all bids of January 24, 2008.
- February 21, 2008 advertisement for re-bid to be opened March 13, 2008.

Phase I building project (currently under construction):

- August 21, 2008 advertisement for bid – bids to be opened September 17, 2008.
- Results of bid opening of September 17, 2008.
- The decision to reject all bids of September 17, 2008.
- The decision to inform the engineering firm that the county could not afford the building that they had designed.
- The decision to have the County Attorney inform the engineering firm their services are no longer needed and to settle with the engineering firm.

Grant agreement amendments relating to the projects:

- March 2008 extension of HB 380 grant – new expiration date July 31, 2009.
- May 2009 extension of HB 380 grant – new expiration date June 20, 2010.
- October 2009 extension of CDBG grant – expiration date December 31, 2009.

We recommend that the Fiscal Court approve all areas relating to construction projects. These approvals include all advertisements for bids, rejected bids, advertisement for rebid, and awarding the contract.

*County Judge/ Executive Wilbur Graves's Response: All future areas relating to construction projects will be formally approved by the Fiscal Court and noted in the minutes.*

**2009-05 The Fiscal Court Lacks Adequate Segregation Of Duties**

The Fiscal Court has a lack of segregation of duties over receipts and disbursements. The County Treasurer receives the mail, prepares the deposit, posts to the receipts ledger, and reconciles the monthly bank statements. She also participates in the preparation of the claim list and checks, and posts to the disbursements ledger. The County Judge does not compare checks to supporting documentation before signing. No documented review or compensating controls exist over these areas.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving, recording, and reporting of receipts, reconciliation of those receipts, or in the approval of purchases and preparation of the claims list and checks. The Fiscal Court should strengthen internal controls by segregating these duties. If segregation of duties is not possible, due to a limited number of

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**  
**(Continued)**

**2009-05 The Fiscal Court Lacks Adequate Segregation Of Duties (Continued)**

staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

*County Judge/ Executive Wilbur Graves's Response: Due to limited number of staff, further segregation of duties is not possible; however, the County Judge/Executive shall now review and initial each document and shall compare checks to supporting documentation before signing each check.*

**2009-06 The Jail Canteen Lacks An Adequate Segregation Of Duties**

A lack of segregation of duties exists over all jail canteen accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. The jailer should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Jailer Doyle Fox's Response: Taking measures to alleviate this problem.*

**2009-07 The Fire and Rescue Squad Lacks Adequate Segregation Of Duties**

A lack of segregation of duties exists over all accounting functions. The treasurer receives all mail, prepares and deposits the receipts, prepares checks, and performs the bank reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in the receiving processing, recording, and reporting of receipts and disbursements. The Fire and Rescue Squad should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the Fire and Rescue Squad separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*Monroe County Fire and Rescue Squad Treasurer's Response: The official did not respond.*

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

2009-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For the Monroe County Wellness Center Phase I Project

This finding can be found in it's entirety in Section C. Findings And Questioned Costs – Major Federal Awards Program Audit.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

Federal Program: CFDA 14.228 Community Development Block Grant/State's Program (CDBG)

Federal Agency: U.S. Department of Housing and Urban Development

Pass-Through Agency: Kentucky Department for Local Government (DLG)

Compliance Area: Activities Allowed Or Unallowed & Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

2009-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For the Monroe County Wellness Center Phase I Project

During our review of the Monroe County Wellness Center Phase I building project, we noted that a change order of \$415,116 (**See Appendix D**) submitted by the design-build contractor on November 18, 2009, included nine (9) energy efficient items that were not originally included in the design-build criteria. One energy efficient item that stands out is \$269,152 for a water source heat pump system for the phase I building currently being constructed and to replace the existing Phase II building HVAC system completed in September 2009. Auditors have determined that these items should have been included in the original design-build criteria. The other vendors that submitted design-build proposals were unaware of these additional items. Four (4) of the additional items cost more than \$20,000.

We recommend that the Fiscal Court include all items for a construction project in the original or revised specifications and scope of work.

In addition, since the recently completed Phase II building has a new HVAC system, which cost \$68,952, of which \$62,200 was purchased using CDBG funds passed through from DLG, we recommend the Fiscal Court contact DLG concerning this portion of the change order before replacing the HVAC system to determine appropriateness.

*County Judge/ Executive Wilbur Graves's Response: The original project instructions included the following language: As an attachment in a separate sealed envelope, marked Wellness Center Alternatives please submit proposed alternatives that will directly reduce the monthly operating cost for this center. Items to consider include but not limited to:*

1. *Geothermal well for heating & cooling*
2. *Solar Panels*
3. *High efficient HVAC units*
4. *Energy efficient lighting*
5. *Energy efficient insulation*
6. *Upgraded security system for reduction in insurance costs*
7. *Pool operating system with lower monthly treatment costs*
8. *Window treatments that reflect in the summer and absorb in the winter*
9. *ICF walls*

***See page 2 of attached bid package for documentation (Appendix B)***

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

2009-08 The Fiscal Court Failed To Include Energy Efficient Items In Design-Build Proposal Criteria For the Monroe County Wellness Center Phase I Project (Continued)

*Therefore, the County contends all vendors were aware of the additional items. Additionally, the County has addressed an issue concerning HVAC system with Department for Local Government. See attached DLG letter and supporting documentation. (See Appendix C)*

*Auditor Reply: If this instruction was included in the original request for bids, it was not provided to the auditors during the course of the audit, nor was it mentioned during the exit conference. In addition, if this was in the original request for bids, these items would have been included in the winning bidder's proposal, therefore, no change orders would have been necessary.*

Federal Program: CFDA 14.228 Community Development Block Grant/State's Program  
 Federal Agency: U.S. Department of Housing and Urban Development  
 Pass-Through Agency: Kentucky Department for Local Government  
 Compliance Area: Activities Allowed Or Unallowed & Allowable Costs/Cost Principles  
 Amount of Questioned Costs: \$1,100

2009-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project

The Monroe County Wellness Center Phase II building project included a total of eight (8) change orders. Auditor's reviewed all eight (8) change orders and are questioning the following three (3) change orders:

- No. 6 – Removal of topsoil, grading, stone base, front concrete slab and extending two (2) drains up to new slab \$1,100
- No. 7 – Install dehumidification controls on two (2) HVAC systems \$6,752.
- No. 8 – Add hardware to five (5) store front doors (doors leaking) \$3,850.

Auditor's noted that each change order states that it is not valid until signed by the architect, contractor and owner. Change order No. 6 was not signed by the architect, contractor and owner, and change order No.7 and No.8 were not signed by the architect.

Auditors also noted that change order No. 7 and No. 8 were for additional materials and labor to correct problems associated with previous work done to existing building that should be covered by the construction contractor.

Change order No. 6 was paid for with funds from the federal Community Development Block Grant (CDBG) that was passed to the county by the state Department for Local Government (DLG).

We recommend the County contact the Department for Local Government, Office of Federal Grants concerning possible reimbursement of \$1,100 for change order No. 6 due to the order not being valid.

Change order No.7 and No. 8 were paid for with funds from the U.S. Housing and Urban Development (HUD) EDI Grant obtained by the Monroe County Wellness Center Board.

**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2009**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**  
**(Continued)**

2009-09 Auditors Are Questioning Change Orders For The Monroe County Wellness Center Phase II Building Project (Continued)

We recommend the county contact the Monroe County Attorney to determine if a reimbursement of \$10,602 is due from the construction contractor to the Wellness Center Board for change orders No. 7 and No. 8.

In addition, we recommend that in the future, all construction project change orders have all the appropriate approvals before being submitted for payment and that no change orders are requested for materials and work to correct problems that should be covered by the construction contractor.

*County Judge/ Executive Wilbur Graves's Response: Change order 6, 7, &8 were submitted after the architect and owner no longer had a working relationship and the signature of the architect could not be secured. The MCWC Board and the Fiscal Court attempted to have the construction contractor be responsible for the work covered by change orders 7 & 8. The construction contractor contends that the work required by the change orders 7 & 8 was a design flaw and the responsibility of the architect. The county has addressed change order 6 with the Department for Local Government. See attached. (Appendix C)*

*Auditor Reply: If the construction contractor reimburses the Wellness Center Board \$10,602, the Board should seek guidance from HUD on what to do with the funds.*

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*None*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**MONROE COUNTY FISCAL COURT**

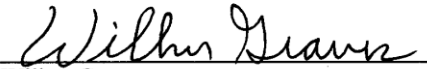
**For The Fiscal Year Ended  
June 30, 2009**



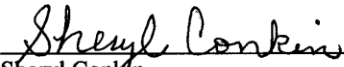
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**MONROE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2009**

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Wilbur Graves  
County Judge/Executive



Sheryl Conkin  
County Treasurer



## **MONROE COUNTY WELLNESS CENTER**



**MONROE COUNTY WELLNESS CENTER  
APPENDIX B**

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4-1-10

**MONROE COUNTY WELLNESS CENTER  
PHASE I  
ATTACHMENT A**

**TOMPKINSVILLE, KENTUCKY**

**OCTOBER 29, 2009**

**PREPARED FOR:  
MONROE COUNTY FISCAL COURT**

**PREPARED BY:**



**ARNOLD CONSULTING**

**MONROE COUNTY WELLNESS CENTER**

**APPENDIX B**

**Continued**

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**Monroe County Wellness Center  
Tompkinsville, KY  
Project Instructions**

- The following pages outline the minimum acceptable requirements for this project.
- The project budget is \$2,500,000.00. You should submit the required information as outlined in the RFP that meets these criteria within this budget.
- As an attachment in a separate sealed envelope, marked Wellness Center Alternatives, please submit proposed alternatives that will directly reduce the monthly operating cost for this center. Items to consider include but are not limited to:
  1. Geothermal wells for heating & cooling.
  2. Solar Panels.
  3. High efficiency HVAC units.
  4. Energy efficient lighting.
  5. Energy efficient insulation.
  6. Upgraded security system for reduction in insurance costs.
  7. Pool operating system with lower monthly treatment costs.
  8. Window treatments that reflect in the summer & absorb in the winter.
  9. ICF Walls.

**MONROE COUNTY WELLNESS CENTER**  
**APPENDIX B**  
**Continued**

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4-1-12

**WORK PLAN**  
**TABLE OF CONTENTS**  
**MONROE COUNTY WELLNESS CENTER - PHASE I**  
**TOMPKINSVILLE, KY**

**DESIGN / BUILD PROPOSAL INFORMATION**

**ATTACHMENT A**

<b><u>Description</u></b>	<b><u>Pages</u></b>
1. Work Plan	2
2. Finish Schedule / Square Footage Requirements	1
3. Fiberglass Door & Door Frames	5
4. Resilient Athletic Flooring	4
5. Tennis Courts	1
6. Mechanical Systems	10
7. Fire Sprinkler Systems	1
8. Electrical Systems	4
9. Swimming Pool	47

**MONROE COUNTY WELLNESS CENTER**  
**APPENDIX B**  
**Continued**

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**WORK PLAN**  
**MONROE COUNTY WELLNESS CENTER - PHASE I**  
**TOMPKINSVILLE, KY**

At a minimum, proposals are to include the following General Conditions:

**1. GENERAL CONDITIONS INCLUDED:**

- + Plan review fee.
- + Building permit.
- + Critical path method scheduling.
- + On-site supervision.
- + Coordination of shop drawings.
- + Coordination of subcontractors.
- + Liability Insurance, workers' compensation, bonding addendum.
- + Certificate of Insurance must be included with the bid and include Professional Design Liability Insurance, minimum of \$2,000,000 aggregate.
- + Payroll taxes and sales tax.
- + Layout of the building.
- + Temporary field office with telephone and fax.
- + Adequate storage trailers.
- + Removal of rubbish from the site.
- + Adequate sanitary facilities.
- + Miscellaneous construction tools.
- + Final cleaning.
- + As-built drawings on Auto Cad.
- + Manufacturer's operational information, parts list and warranties for all equipment installed under this contract.
- + Temporary water.
- + Temporary electric.
- + Builders Risk Insurance.
- + Occupancy certificate.
- + Performance and Payment Bond.
- + Temporary parking.
- + Temporary stone for work area.
- + Special Inspections as required by code.
- + Project must be completed no later than June 30, 2010. Liquidated damages will be \$1,000 per calendar day.

**2. ENGINEERING SERVICES INCLUDED:**

- + Site design.
- + Architectural design.
- + Structural design.
- + Mechanical design.
- + Electrical design.
- + Landscaping design.

**CLARIFICATION:**

- + Architect and Mechanical Engineers must have been the professional of record on two previous pool projects.

**3. SPECIAL REQUIREMENTS:**

- + The mechanical, electrical, roofing and pool subcontractors must provide a payment and performance bond to the Design/Build Contractor. The Design/Build Contractor cannot assist any subcontractor in any way in obtaining such bond. Bonds must be provided within five (5) days after contract award, with a copy to the Owner.

# MONROE COUNTY WELLNESS CENTER

## APPENDIX B

Continued

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4-1-10

### 4. POOL REQUIREMENTS:

- + The pool contractor must provide a turn-key project as it relates to all pool equipment, piping, walls, etc. one source responsible for the pool work.

### 5. SITE AND EXCAVATION REQUIREMENTS:

- + See attached subsurface information. Site is unclassified. Whatever you encounter is the responsibility of the Subcontractor and Design/Builder.
- + Two new tennis courts are required, complete with court, court equipment and fencing.

### 6. BUILDING REQUIREMENTS:

- + This building shall match existing building as it relates to exterior wall finishes and elevations. This includes, but not limited to, brick, split face block and metal wall panels.
- + The new canopy shall match the existing canopy.
- + The pool area roof framing shall be precast double tee's
- + All interior walls at the pool area, restrooms, locker rooms, pool equipment areas shall be masonry construction.
- + Windows and doors at the pool area shall be FRP.
- + All exterior hollow metal and aluminum doors to have lipped thresholds and removable mullions.
- + Provide 34 full lockers and 32 half lockers.
- + Roof insulation shall have a minimum R value of 19.
- + Wall insulation shall have a minimum R value of 19.
- + All painting in the pool area to be epoxy.
- + All exterior masonry walls to receive a water repellent coating with a minimum warranty of 5-years.
- + Roof system shall have a 10-year warranty from the manufacturer and installer.
- + Pre-engineered (metal building) is not to be used for this project.

### 7. SPECIAL INSPECTIONS:

- + Will be provided by the Monroe County Fiscal Court

**MONROE COUNTY WELLNESS CENTER****APPENDIX B****Continued****RECEIVED**  
4-1-12**FINISH SCHEDULE / SQUARE FOOTAGE REQUIREMENTS  
MONROE COUNTY WELLNESS CENTER – PHASE I  
TOMPKINSVILLE, KY****GENERAL NOTES:**

All construction to match existing Phase II building.

<u>Room Name</u>	<u>Square Feet</u>	<u>Quantity</u>
Multi-Purpose Room	435	1
Storage Areas	570	5
Pool Equipment/Mech/Elec	645	1
Pool Area	6,300	1
Chemical Tank Room	210	1
Lobby/Check-in	350	1
Cardio/Fitness Area	3,545	1
Mechanical/Electrical Room	473	1
First Aid	570	1
Janitor Closet	32	1
Electrical Room	119	1
Juice Bar/Lounge	420	1
Men's Public Restroom	205	1
Women's Public Restroom	205	1
Men's Locker Room	610	1
- Men's Changing Room	Included	1
- Men's Shower	Included	1
- Men's Restroom	Included	1
Women's Locker Room	610	1
- Women's Changing Room	Included	1
- Women's Shower	Included	1
- Women's Restroom	Included	1

## **MONROE COUNTY WELLNESS CENTER**



**MONROE COUNTY WELLNESS CENTER  
APPENDIX C**

**RECEIVED**  
4-1-10

**WILBUR GRAVES  
MONROE COUNTY JUDGE EXECUTIVE  
200 n. Main St. Suite C  
Tompkinsville, KY 42167**

OFFICE (270)487-5505

HOME (270)487-6213

March 30, 2010

Ms Lynn Travis Littrell  
Department for Local Government  
Division of Federal Grants  
1024 Capital Center Drive, Suite 340  
Frankfort, KY 40601-8204

RE: Monroe County Wellness Center 06-035 - Audit Exit Conference

Dear Ms. Littrell:

I'm writing this letter in response to the Kentucky Department for Local Government's comments pertaining to the Monroe County Fiscal Court's Audit Exit Conference report dated June 30, 2009. In regards to the comments listed in an email sent from Travis Weber of DLG to Nick Cook of the Barren River Area Development District below is our response:

In regards to Exit Conference Comment #6: The Monroe County Fiscal Court authorized Change Order #6 to pay Alliance Corporation \$1,100. This change order occurred during the period of the project when the Monroe County Fiscal Court's relationship with the architecture firm, GRW, ceased to exist. Therefore due to the underlying circumstances at the time, the fiscal court was unable to obtain a signed change order. Please find enclosed a copy of Change Order #6 and supporting documentation from the project architect and prime contractor.

In regards to Exit Conference Comment #4: The Monroe County Fiscal Court will not remove the HVAC system that was purchased with CDBG funds for Phase II of the Monroe County Wellness Center as suggested in the audit exit conference report. The Phase I building, currently under construction, will receive a water source heat pump system. Being that this system is already being installed in the Phase I building, it was suggested by the project contractor and engineer to add this system to the existing Phase II building due to the fact the additions will come at a minimal cost and provide significant energy efficiency savings to the Phase II building. The existing HVAC system in the Phase II building will serve as a supplementary system to the new water source heat pump system and therefore, will remain intact and will not be removed.

**MONROE COUNTY WELLNESS CENTER**  
**APPENDIX C**  
**(Continued)**

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4-1-10

Thank you for your assistance and if you have any questions or need any additional information, please contact Nick Cook at the BRADD (270-781-2381).

Sincerely,



Wilbur Graves  
Judge/Executive

Enclosure

MONROE COUNTY WELLNESS CENTER  
APPENDIX C  
(Continued)

RECEIVED  
4-1-09

Change Order

ALLIANCE CORPORATION  
116 E. COLLEGE STREET  
GLASGOW, KY 42141  
Phone: 270-651-8848  
Fax: 270-651-2916

Distribution ☐ MONROE COUNTY WELLNESS CEN  
☐ Field  
☐ Office  
☐ Other

Project: 08-018 MONROE COUNTY WELLNESS CENTER Contract Number: 08-018 MONROE COUNTY WELLNESS CENTER

Change Order #: 06

To (Contractor): ALLIANCE CORPORATION  
116 E. COLLEGE STREET  
GLASGOW, KY 42141

Change Order Description: Change Order #6

Change Order Date: 3/04/09

You are directed to make the following changes in this Contract:

Description	Amount
Additional concrete at Front	1,100.00
This change request includes removal of topsoil, grading to subgrade, stone base, extending (2) yard drains up to new concrete slab elevation and placing/finishing approximately 195sf of new concrete slab	
Total For Change Order: 06	1,100.00

Not valid until signed by both the Owner and Architect. Signature of the Contractor indicates the Contractor's agreement herewith, including any adjustment in the Contract Sum or Contract Time.

The original Contract Sum was	1,443,100.00
The net change by previously authorized Change Orders was	41,171.06
The Contract Sum prior to this Change Order was	1,484,271.06
The Contract Sum will be increased by this Change Order	1,100.00
The new Contract Sum will be	1,485,371.06

The Contract Time will be unchanged

Authorized By Owner:  
MONROE CO FISCAL CT

Accepted By Contractor:  
ALLIANCE CORPORATION  
116 E. COLLEGE STREET  
GLASGOW, KY 42141

Architect:

By: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

**MONROE COUNTY WELLNESS CENTER**  
**APPENDIX C**  
**(Continued)**

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12-10

**Nick Cook**

---

**From:** Scott Holt [sholt@alliancecorporation.com]  
**Sent:** Wednesday, December 09, 2009 4:54 PM  
**To:** 'Nick Cook'  
**Subject:** RE: Request  
**Attachments:** 08016 co 6 pdf

That is the one that GRW did not send back. This was during the time that negotiations between them and the Fiscal were taking place. I don't have a signed copy but I have a blank copy of the change order attached

Scott Holt, LEED AP  
Project Manager  
116 East College Street  
Glasgow, KY 42141  
270.651.8848 - o  
270.651.2915 - f  
270.404.0676 - m



*Builders & Managers*

[www.alliancecorporation.com](http://www.alliancecorporation.com)

**From:** Nick Cook [mailto:ncook@bradd.org]  
**Sent:** December 09, 2009 3:27 PM  
**To:** 'Scott Holt'  
**Subject:** Request

Hey Scott,

If possible, could you please fax or email a copy of change order #16 for the Wellness Center Project. The state auditor's office is here and for some strange reason I'm missing this change order.

Thank you for any help you can provide.

Nick Cook  
BRADD  
177 Graham Avenue  
Bowling Green, KY 42104  
P: 270-781-2381 F: 270-842-0768

**MONROE COUNTY WELLNESS CENTER**  
**APPENDIX C**  
**(Continued)**

RECEIVED  
12-11-09

**Nick Cook**

---

**From:** Thomas, John [john.thomas@grwinc.com]  
**Sent:** Friday, December 11, 2009 10:16 AM  
**To:** Nick Cook  
**Subject:** RE: Wellness Center - Change Order 6

Nick,

I wish I could help. Looking through my files, I mailed (4) copies of C.O. 006 to Mr. Holt on 04/03/09 with instructions for him to sign and forward to Judge Graves. A signed copy was never returned to my office. Sorry. (\*The signing process fell right around the time period that GRW services were being terminated. At that time, it was my understanding that Judge Graves was communicating directly with Alliance. I have no idea if a C.O. was ever officially signed)

If it would help at all, I have a copy of C.O. 006 that was sent to Mr. Holt. I could mail you a copy and you could have Mr. Holt and Judge Graves sign it. Let me know if you want me to mail a copy.

(Those cookies are amazing!)

Sincerely,

John M. Thomas, Assoc. AIA  
GRW  
801 Corporate Drive  
Lexington, KY 40503  
Phone: 859.223.3999 Fax: 859.223.8917  
Email: [john.thomas@grwinc.com](mailto:john.thomas@grwinc.com)

---

**From:** Nick Cook [mailto:ncook@bradd.org]  
**Sent:** Friday, December 11, 2009 10:57 AM  
**To:** Thomas, John  
**Subject:** Wellness Center - Change Order 6

Hey John,

The state auditors are at my office and are requesting a signed copy of change order 6. I've checked with the County and Alliance and no one has a signed copy. Could you please fax or email me one? If so, it would be greatly appreciated.

Also, thanks for the cookies GRW sent. Our office has already put a dent in that big tin.

Thanks,

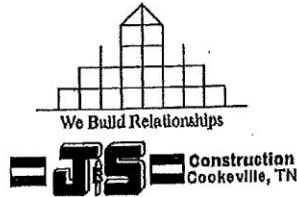
Nick Cook  
BRADD  
177 Graham Avenue  
Bowling Green, KY 42104  
P: 270-781-2381 F: 270-842-0768



**MONROE COUNTY WELLNESS CENTER**



**MONROE COUNTY WELLNESS CENTER  
APPENDIX D**



## Change Order

**To Contractor:** J&S Construction Company  
1843 Foreman Drive  
Cookeville, TN 38501

**Change Order #:** 1  
**Date:** 11/18/2009  
**Job:** 09-000421 Monroe Co Wellness Ctr-New Fac

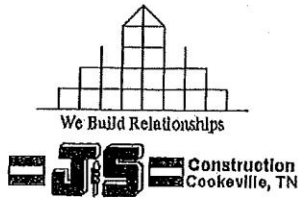
**Description:** Additional Scope Items

**The Contract is hereby revised by the following:**

1	Open Cell Foam Insulation	For Energy Conservation, the Contractor shall install Open Cell spray foam on the exterior stud walls (R-19 = 6.5") and Open Cell spray foam on the bottom side of roof deck (R-30 = 9"). The pool area roof and walls shall remain per base bid.	\$36,500.00
2	Tankless Water Heaters	For Energy Conservation, the Contractor shall install 3 tankless gas water heaters in lieu of the 1 tank water heater. The zones shall be broken up by showers, gang restrooms and lobby/first aid area.	\$18,790.00
3	Exterior and Pool Lighting	For Energy Conservation, the Contractor shall install Induction type light fixtures and bulb in the parking, egress and pool lighting in lieu of metal halide fixtures and bulbs.	\$34,000.00
4	Occupancy Sensors	For Energy Conservation, the Contractor shall install motion sensor light switches with shut off timer to conserve lighting costs in lieu of standard manual switches.	\$5,400.00
5	Rubber Flooring	Per Owners request, the Contractor shall install 1/4" Rubber flooring with 17% flex in the entire cardio room.	\$25,000.00
6	Upgrade Roof Panels	Per Energy Conservation and long Term Warranty, the Contractor shall install Kynar coated standing seam roof panels in lieu of the galvalume roof panel.	\$14,400.00
7	Additional Restroom Fixtures	Per the Owners request, the Contractor shall install an additional water closet and lavatory in the women's and a urinal and lavatory in the men's and associated compartment partitions.	\$7,874.00
8	Boundary and Topo Survey	Per the Owners request, the Contractor has included the Boundary Survey and Topographic conditions of the site.	\$2,000.00
9	Water Source Heat Pumps	Per Energy and Maintenance Savings, the Contractor shall include water source heat pumps for air conditioning and heating in new building other than the locker rooms and pool room areas that shall remain air cooled. The Contractor shall include water source heat pumps for air conditioning and heating as a replacement HVAC system for the entire existing wellness building. Both systems shall utilize one fluid cooler tower. The Contractor shall include a 5 year comprehensive maintenance service covering all parts and maintenance to the HVAC systems for both buildings.	\$269,152.00

Continued on Next Page

MONROE COUNTY WELLNESS CENTER  
APPENDIX D  
(Continued)



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To Contractor: J&S Construction Company  
1843 Foreman Drive  
Cookeville, TN 38501

Change Order #: 1  
Date: 11/18/2009  
Job: 09-000421 Monroe Co Wellness Ctr-Now Fac

Description: Additional Scope Items

The original Contract amount was .....	\$ 2,428,997.00
Net change by previously authorized Change Orders .....	\$ 0.00
The Contract amount prior to this Change Order was .....	\$ 0.00
The Contract will be increased by this Change Order in the amount of .....	\$ 415,118.00
The new Contract amount, including this Change Order will be .....	\$ 2,845,113.00
The Contract duration will be unchanged by .....	0 Days
The Date of Substantial Completion as of the date of this Change Order therefore is .....	6/30/2010

ARCHITECT

CONTRACTOR

OWNER

J&S Construction Company  
1843 Foreman Drive  
Cookeville, TN 38501

Monroe County Fiscal Court  
200 North Main Street  
Suite B  
Tompkinsville, KY 42167

Signature [Signature]  
Date 11/23/09

Signature [Signature]  
Date 11-18-09

Signature [Signature]  
Date 11-23-09

